

State of California

Public Utilities Commission  
San Francisco**MEMORANDUM**

**Date : June 20, 2013**

**To : The Commission  
(Meeting on June 27, 2013)**

**From : Jamie Ormond, Energy Division  
Luisa Elkins, Legal Division**

**Subject : Staff Seeks Authority to File Comments at FERC, Recommending  
Adoption of Parts of Proposed Rulemaking for Small Generator  
Interconnection Procedures that are Consistent with California's  
Rule 21. (Docket No. RM13-2-000)**

**BACKGROUND AND DISCUSSION**

Pursuant to the Notice of Proposed Rulemaking (“NOPR”), dated January 17, 2013, FERC proposes to review Order No. 2006,<sup>1</sup> which established *pro forma* Small Generator Interconnection Procedures and Agreements (“SGIP” and “SGIA,” respectively).<sup>2</sup> Comments on the NOPR were due June 3, 2013,<sup>3</sup> and the CPUC filed notice of intervention, indicating that it expects to file comments along with motion for leave to late file after the June 27, 2013 Commission meeting.<sup>4</sup>

FERC’s proposed changes to Order No. 2006 are intended to “ensure that the time and cost to process small generator interconnection requests will be just and reasonable and not unduly discriminatory.”<sup>5</sup> FERC proposes four major modifications to Order No. 2006:

<sup>1</sup> *Standardization of Small Generator Interconnection Agreements and Procedures*, Order No. 2006, FERC Stats. & Regs. ¶31,18, *order on reh’g*, Order No. 2006–A, FERC Stats. & Regs. ¶ 31,196 (2005), *order on clarification*, Order No. 2006–B, FERC Stats. & Regs. ¶ 31,221 (2006) [hereinafter “Order No. 2006”].

<sup>2</sup> Notice of Proposed Rulemaking, RM13-2-000, FERC, January 17, 2012 [hereinafter “NOPR”].

<sup>3</sup> Small Generation Interconnection Agreements and Procedures, Proposed Rule, 78 Federal Register 7,524 (Feb. 1, 2013).

<sup>4</sup> Docket No. RM13-2-000, Notice of Intervention of the Public Utilities Commission of the State of California (June 3, 2013).

<sup>5</sup> NOPR at p. 4.

(1) introduce a pre-application report to provide interconnection customers<sup>6</sup> with relevant information about system conditions at possible interconnection points; (2) revise the 2MW threshold required to participate in the Fast Track Process<sup>7</sup> and replace it with an eligibility approach based on individual system and generator characteristics; (3) revise the procedures following failure of the Fast Track screens and introduce new criteria to determine whether a small generating facility<sup>8</sup> could be interconnected safely and reliably; and (4) revise the *pro forma* upgrade studies by adding an opportunity for the interconnection customer to provide comments to the transmission provider<sup>9</sup> regarding the upgrades required for interconnection.<sup>10</sup> The NOPR also includes other minor provisions that clarify and correct some sections of the *pro forma* SGIP and SGIA, including the disconnection of small generating facilities during over- and under-frequency events.<sup>11</sup>

The SGIP and SGIA apply only to interconnections with facilities that are already subject to the transmission provider Open Access Transmission Tariff (“OATT,” also known as the Wholesale Distribution Access Tariff—“WDAT”), at the time the interconnection request is made.<sup>12</sup> If the NOPR is adopted, utilities with distribution facilities that are subject to WDAT would be required to adjust their tariffs. In California, the WDAT applies to participants in the Renewable Auction Mechanism program (“RAM”), Qualifying Facilities program (“QF”), and other Renewable Portfolio Standard (“RPS”) projects proposed via “Request for Offer” (“RFO”) or bilateral negotiations.

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<sup>6</sup> Interconnection customer is defined as “[a]ny entity, including the Transmission Provider, the Transmission Owner or any of the affiliates or subsidiaries of either, that proposes to interconnect its Small Generating Facility with the Transmission Provider’s Transmission System.” NOPR, Attachment A at p. 2.

<sup>7</sup> Fast Track Process is defined as “[t]he procedure for evaluating an Interconnection Request for a certified Small Generating Facility ~~no larger than 2 MW that meets the eligibility requirements of~~ [NOPR] section 2.1 and includes the [NOPR] section 2 screens, customer options meeting, and optional supplemental review.” NOPR, Attachment A at p. 2 (striktethrough and underline in original).

<sup>8</sup> Small generation facility is defined as “the device for which the Interconnection Customer has requested interconnection. The owner of the Small Generating Facility is the Interconnection Customer. A Small Generating Facility is a device used for the production of electricity having a capacity of no more than 20 MW. The interconnection process formally begins with the Interconnection Customer submitting an application for interconnection, called an Interconnection Request, to the Transmission Provider.” NOPR at. p. 2 n. 3.

<sup>9</sup> Transmission provider is defined as “[t]he utility entity with which the Small Generating Facility is interconnecting . . . .” *Id.*

<sup>10</sup> *Id.* at p. 1–2.

<sup>11</sup> *See id.* at pp. 28–30.

<sup>12</sup> FERC Order 2006 at ¶ 5.

Prior to the issuance of the NOPR, the CPUC approved a significant update to Rule 21 in Decision 12-09-018.<sup>13</sup> The CPUC regulates interconnection to the distribution systems of California utilities via Rule 21.<sup>14</sup> The revisions to Rule 21 were aimed at promoting state energy policies by ensuring a “timely, non-discriminatory, cost-effective, and transparent” interconnection process for distributed generation.<sup>15</sup> FERC’s proposed modifications largely track the Rule 21 reforms approved by the CPUC.<sup>16</sup>

Commission Staff seeks authority to submit comments on the NOPR, consistent with the points below.

**(1) Recommend that FERC Adopt the Pre-Application Report Provision.**

The CPUC will recommend that FERC implement the proposed pre-application provision allowing interconnection customers to request a pre-application report from the transmission provider for a \$300 fee.<sup>17</sup> Outside from California, interconnection customers subject to WDAT have limited information to help them evaluate interconnection at a given point in the system.<sup>18</sup> This causes developers to submit multiple requests for interconnection for a single project in order to identify the most advantageous interconnection point.<sup>19</sup> The pre-application report will provide interconnection customers with information necessary to make interconnection decisions

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<sup>13</sup> Decision (D.) 12-09-018, Decision Adopting Settlement Agreement Revising Distribution Level Interconnection Rules and Regulations – Electric Tariff Rule 21 and Granting Motions to Adopt the Utilities’ Rule 21 Transition Plans (Sept. 13, 2012) [hereinafter “D.12-09-018”].

<sup>14</sup> *Id.* at p. 2.

<sup>15</sup> Order Instituting Rulemaking on the Commission’s Own Motion to Improve Distribution Level Interconnection Rules and Regulations for Certain Classes of Electric Generators and Electric Storage Resources, filed September 22, 2011 at p. 4 (“R.11-09-011”); *see also* D.12-09-018 at p. 3.

<sup>16</sup> The CPUC intervened in the rulemaking process (FERC Docket No. RM12-10-000) initiated by Solar Energy Industries Association (“SEIA”) that resulted in the NOPR. *See* Motion to Intervene and for Leave to File Comments Out of Time and Comments of the Public Utilities Commission of the State of California, FERC, Docket No. RM12-10-000, April 9, 2012 [hereinafter “CPUC Comments”]. The CPUC’s motion offered “for FERC’s consideration the manner in which a number of the issues raised by SEIA have been analyzed and addressed within the Proposed Revised Rule 21” and recommended modifications to the SGIP and SGIA that were consistent with the then proposed Rule 21 revisions (approved and adopted in D. 12-09-018). *See id.*

<sup>17</sup> NOPR at p. 15.

<sup>18</sup> California users subject to WDAT have access to this information pursuant to Rule 21. R. 11-09-011, Rule 21 Tariff, Section B.1, at 8 (“All Generating Facilities seeking Interconnection with Distribution Provider’s Transmission System . . . shall interconnect under this Rule regardless of whether they interconnect to Distribution Provider’s Distribution or Transmission System.”)

<sup>19</sup> *Id.* at p. 16.

before submitting a formal interconnection request.<sup>20</sup> According to FERC, this provision will reduce costs and increase transparency and efficiency to the application process.<sup>21</sup>

The CPUC will recommend that FERC adopt the pre-application report because it is consistent with the CPUC's Rule 21 approach.<sup>22</sup> The Rule 21 provision aids siting decisions and has made the interconnection process more predictable by giving interconnection applicants the ability to identify favorable interconnection points at an early time in the application process. Moreover, this pre-application report is available to any interconnection customer in California, including those subject to the WDAT. Thus, the proposed modification will harmonize state and FERC-jurisdictional interconnection standards, thereby increasing regulatory certainty for interconnection customers.

**(2) Make No Recommendation Regarding Eligibility Factors for Participation in the Fast Track Process, But Reserve the Right to Make Comments At a Later Time.**

The CPUC will not make recommendations at this time regarding an eligibility approach based on individual system and generator characteristics to replace the 2MW threshold for participation in the Fast Track Process. The revised eligibility approach considers factors such as facility voltage level, circuit distance of the interconnection from the substation, and generator capacity, up to a limit of 5MW.<sup>23</sup> This provision is designed to provide flexibility to the Fast Track Process application based on variations in the distribution line voltage.<sup>24</sup>

The CPUC has no experience with some of the eligibility evaluation factors that FERC proposes in the NOPR. Rule 21 includes several Fast Track eligibility factors, such as voltage and generator size,<sup>25</sup> which are also part of FERC's proposed Fast Track eligibility evaluation in the NOPR. However, the CPUC's approach under Rule 21 was carefully tailored to the needs of California utilities to ensure a swift screening process.

CPUC staff is participating in a working group along with the California Energy Commission and California utilities for the development of proposals to FERC. While the

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<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at p. 17.

<sup>22</sup> R.11-09-011, Rule 21 Tariff, Section E.1, at 24. The fee for a Rule 21 pre-application report is also \$300. *Id.* Rule 21's pre-application report was implemented to "make a generator's ability to interconnect at a certain location more predictable, and it clarifies the distribution provider's responsibility to validate an interconnection request and assign a project a queue position once a request is received." *Id.*

<sup>23</sup> NOPR at p. 18.

<sup>24</sup> *Id.* at p. 19.

<sup>25</sup> R.11-09-011, Rule 21 Tariff, Section E.2(b)(i), at 26.

CPUC will make no recommendation with regard to the Fast Track eligibility screening at this time, the CPUC will reserve the right to comment on the NOPR's eligibility approach based on the working group conclusions.

**(3) Recommend that FERC Adopt the Revised Procedures Following Failure of Fast Track Screens in Supplemental Review Meeting.**

The CPUC will recommend that FERC adopt the revised procedures following failure of Fast Track screens listed in the NOPR. Currently, an interconnection customer outside of California may request a customer option meeting if it fails the safety and reliability screenings in the Fast Track Process and the transmission provider does not or cannot determine that the facility may be interconnected safely and reliably.<sup>26</sup> In this customer option meeting, the transmission provider must offer: (1) to perform facility or system modifications; (2) to perform a supplemental review of the small generating facility; or (3) to obtain an agreement from the interconnection customer to continue evaluating the interconnection request under the study process.<sup>27</sup> In the NOPR, FERC proposes changes to the customer review and supplemental review meetings.

FERC proposes three new technical screens for the supplemental review meeting: (1) 100 percent minimum load screen, (2) power quality and voltage screen; and (3) safety and reliability screen.<sup>28</sup> Currently, the *pro forma* SGIP applies the "15 Percent Screen" only.<sup>29</sup> This screen prevents fast track interconnection of a small generation facility when the aggregated generation on the circuit exceeds 15 percent of the line section annual peak load.<sup>30</sup> However, as the CPUC indicated in prior comments to FERC, under certain conditions, penetration levels can exceed the 15-percent threshold without triggering safety or reliability issues.<sup>31</sup>

FERC's proposed Fast Track supplemental review screens in the NOPR are modeled after those that the CPUC implemented in Rule 21. The CPUC designed an intermediate method that maintains the 15 percent screen as the general rule, but allows penetration levels to reach 100 percent of minimum load in the aggregate from individual facilities based on additional screening tests—the 100 percent minimum load screen, the power quality and voltage screen, and the safety and reliability screen. The CPUC will recommend that FERC adopt the proposed supplemental study modifications because

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<sup>26</sup> NOPR at p. 7.

<sup>27</sup> *Id.*

<sup>28</sup> *Id.* at p. 23.

<sup>29</sup> *Id.* at p. 8.

<sup>30</sup> *Id.* at p. 8–9.

<sup>31</sup> CPUC Comments at pp. 4–7.

they are consistent with the CPUC's Rule 21 approach and California's DG interconnection policies and will allow increased penetration levels for projects under WDAT. Moreover, the proposed additional screening tests that study and determine the technical impact of a Fast Track project, such as the 100 percent of minimum load screen, will provide important information to the utility and the developer on whether a project can technically interconnect to the distribution grid, without going through lengthy and expensive interconnection study processes.

FERC also proposes to add a provision that will compel transmission providers to provide a SGIA if the small generation facility agrees to pay the cost of minor system modifications that are required for safe and reliable interconnection.<sup>32</sup> The CPUC will recommend that FERC adopt this provision because it will allow interconnection when only minor modifications to the system are required.

**(4) Make No Recommendation Regarding Proposal to Review *Pro-forma* Upgrade Studies.**

The CPUC will make no recommendations regarding FERC's proposal to review *pro-forma* upgrade studies. FERC proposes to provide interconnection customers with an opportunity to review and comment on the system upgrades required by transmission providers for interconnection purposes.<sup>33</sup> This opportunity to comment is similar to that granted to interconnection customers under the Large Generator Interconnection Procedures (LGIP). FERC indicates that while transmission providers should make the final decision regarding required upgrades for interconnection, the current SGIP may result in unreasonable and unjust interconnection costs because interconnection customers lack an opportunity to review and comment on the upgrades.<sup>34</sup> FERC believes that this provision would encourage a dialogue between the transmission provider and the interconnection customer.<sup>35</sup>

The CPUC would not make any recommendations because FERC's proposed provision will promote communication between the interconnection customer and transmission provider, and more communication will increase transparency in the interconnection process for projects under WDAT.

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<sup>32</sup> *Id.* at p. 22.

<sup>33</sup> NOPR at p. 27.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

**(5) Make No Recommendation Regarding Disconnection of Small Generating Facilities During Over- and Under-Frequency Events, But Reserve the Right to Comment at a Later Date.**

The CPUC will make no recommendations regarding FERC's proposals in the NOPR addressing over- and under-frequency events that cause disconnections. The NOPR responds to reliability concerns that were identified in Germany and that have been observed in the United States.<sup>36</sup> In Germany, imbalances between generation and load have caused over-frequency, and similar events have been identified in the United States.<sup>37</sup> The revisions will require facilities to comply with the latest version of the applicable standards to prevent automatic disconnection during an over- or under-frequency event.<sup>38</sup>

In Rule 21, the CPUC included technical operating and interconnection standards that provide DG with a greater role in voltage regulation and other aspects of the distribution system reliability and efficiency, thereby reducing the frequency of disconnection due to over- and under-frequency events. The CPUC jointly with the CEC are developing recommendations for updating Rule 21, which are focused on autonomous capabilities of inverter-based Distributed Energy Resources (DER) systems. These recommendations include allowing certain DER functions that Rule 21 does not currently accept and incorporating additional DER capabilities for interconnected renewable DG and energy storage systems. If the working group's recommendations are implemented in the Rule 21 update, utilities will have the option to select the DER capabilities that they require for each DER interconnection to ensure the long-term safety, reliability, and efficiency of the power grid. Because the CPUC is still developing recommendations in this area, the CPUC will reserve the right to make comments with regard to FERC's proposed modifications at a later time.

**CONCLUSION AND ACTION REQUESTED:**

Staff requests Commission authorization to submit comments to FERC recommending adoption of the sections of the SGIP and SGIA proposed rulemaking that are consistent with California's Rule 21 and reserving the right to comment on some parts of the proposed rulemaking at a future date.

For questions or further information, please contact the assigned staff attorney, Luisa Elkins, at (415) 703-1219 or [luisa.elkins@cpuc.ca.gov](mailto:luisa.elkins@cpuc.ca.gov).

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<sup>36</sup> *Id.* at p. 29.

<sup>37</sup> *Id.*

<sup>38</sup> *Id.* at p. 30.